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SUBJECT: KAZAKHSTAN COMMITTED TO PUBLIC PRIVATE ECONOMIC
PARTNERSHIP WITH THE UNITED STATES

ASTANA 00000594 001.2 OF 002

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: On April 1, the initial Coordinating Committee meeting of the Public Private Economic Partnership Initiative (PPEPI) was held in Astana. While the initiative has been slow getting off the ground since it was launched in June 2008, all the partners remain committed and eager to see real progress and results that promote economic policy reform, and ultimately lead to increased investment in Kazakhstan. Five working groups consistent with PPEPI's pillars were established which will develop substantive policy reform recommendations. The Ambassador and Deputy Prime Minister Yerbol Orenbayev, representing their respective governments, stressed the importance each government accords the initiative and its high-level support. END SUMMARY.

PPEPI MEANS PARTNERSHIP FIRST

¶3. (U) First launched with the direct participation of Prime Minister Karim Masimov in June 2008, PPEPI will harness the expertise of the U.S. and Kazakhstani public and private partners to foster dialogue and prepare policy recommendations designed to facilitate business and improve the overall investment climate in Kazakhstan. The initiative's partners include the Governments of the United States and Kazakhstan, the American Chamber of Commerce in Kazakhstan (AmCham), the U.S.-Kazakhstan Business Association, the Forum of Entrepreneurs, and the Atameken Union. The latter two organizations are both Kazakhstani business associations that represent the private sector of the country.

¶4. (U) The PPEPI is administered by AmCham, which received funding from USAID and from the Government of Kazakhstan (through the Program for Economic Development, in which the costs for the USAID Economic Growth program are shared by the two governments), and through financial and in-kind contributions from AmCham and the other partners to the initiative. The agreement calls for a

one-year pilot program, which will then be reviewed and considered for extension and additional funding.

WORKING GROUPS TO PROVIDE EXPERTISE, POLICY RECOMMENDATIONS

15. (U) The Coordinating Committee meeting, which gathered the partners of PPEPI, is the first of three such meetings planned over the course of the first year. This managing body sets overall policy and the strategic goals of PPEPI and, during this first meeting, established the several working groups that will be responsible for producing the economic policy recommendations, or white papers. Five substantive working groups were formed:

- Anti-Corruption Measures and Rule of Law
- Transparency and Economic Efficiency
- Regional Economic Integration - Trade and Customs
- Cooperation in Science and Technology
- Economic Diversification/SME Development

16. (U) U.S. Government participants in the working groups are expected to include representatives from USAID, the Political and Public Affairs Sections of the Embassy, the Foreign Commercial Service, and the U.S. Center for Disease Control and Prevention (CDC).

HIGH-LEVEL SUPPORT FROM THE KAZAKHSTANI GOVERNMENT

17. (SBU) The Coordinating Committee meeting included the participation of Deputy Prime Minister Yerbol Orenbayev, who was assigned responsibility for the government's implementation of the initiative by Prime Minister Masimov. Orenbayev is part of the up-and-coming "new guard" in the government and his rise bodes well for the future leadership on the country. Just 37 years-old, Orenbayev is English-speaking, and a Muskie program alum who received his master's degree from Duke University. Unassuming and

ASTANA 00000594 002.2 OF 002

soft-spoken, his leadership in PPEPI is indicative of the importance the Kazakhstani government places on the success of this partnership. It also indicates the political willingness of the government to consider real economic policy reform, with the further understanding that such reforms can be part of the answer to the country's current economic woes.

AZAT PERUASHEV, A POTENTIAL POPULIST LEADER?

18. (SBU) Azat Peruashev is the 40-year old Chairman of the National Economic Chamber of Kazakhstan "Atameken" and one of the founding partners of PPEPI. Peruashev and Atameken have been dismissed by some as the "tame" business group responsive to the government. Our experience has indicated, however, that Peruashev can be quite blunt in his criticism of government policies, particularly when they interfere with the interests of his constituents, the private entrepreneurs of small- and medium-size businesses. Peruashev likes to depict himself as an outsider, "I am a simple village person." When the various representatives made their comments at the PPEPI press conference, only Peruashev spoke in Kazakh (to the obvious discomfort of most of the journalists who could not understand his untranslated remarks). Peruashev is not quite the country rube that he pretends to be. When we first met him several years ago, he did not speak any English. In the meantime he has become reasonably fluent. His desire to improve his ability to communicate in English is derived from his belief that the United States' experience is the most relevant to Kazakhstan. He professes his admiration for American entrepreneurship. "We must learn innovation from the Americans. The Europeans have nothing to teach us."

19. (SBU) Peruashev is also more ambitious than he would let on. "I would like to leave the leadership of Atameken, but no one else can step forward to represent the small businessman." He is a passionate advocate of the free market including denying the government's right to regulate for social purposes though also favoring a nationalistic style of protectionism. He strongly criticized the government's decision to ban alcohol and tobacco advertising on Kazakhstani television. "Businesses, even alcohol and tobacco, should be able to act as they need. The result of this ban

is not a decrease in drinking and smoking but rather an increase in the sales of Russian cigarettes and vodka since Kazakhstanis see their advertisements on Russian television." Peruashev used to lead the now defunct Civic political party. This party later merged with the ruling Nur Otan. If he returned to a more active political life, he could represent the interests of those raised at the end of the Soviet era, the rural population and mid-level businessmen.

¶10. (SBU) COMMENT: PPEPI has been slow getting off the ground for reasons other than the commitment of its partners. With administrative obstacles overcome and the initiative now funded, it will be incumbent on the several working groups to produce substantive economic policy recommendations in the form of white papers within the next six months to build on the momentum of the Coordinating Committee meeting and maintain the confidence of its partners. END COMMENT.

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